

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BRIDGE 02960 030014Z

ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 EB-08 L-03 SP-02 AGRE-00

TRSE-00 CIAE-00 INR-07 NSAE-00 IGA-02 /042 W

-----039294 030027Z /41

R 022025Z DEC 77

FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC 4165

LIMITED OFFICIAL USE BRIDGETOWN 2960

PASS ASSSISTANT SECRETARY TODMAN, ARA

E.O. 11652:N/A

TAGS: EAID, ECON, XL

SUBJ: INTEREST RATES TO SMALL FARMERS

1. SUMMARY. AT REQUEST AMBASSADOR TODMAN, DCM CALLED DEC. 1 ON AGRICULTURE MINISTER LINDSAY BOLDEN TO PURSUE DISCUSSION ON INTEREST RATES TO SMALL FARMERS WHICH AMBASSADOR TODMAN HAD HELD WITH BOLDEN IN BRIDGETOWN AT LATTER'S INITIATIVE NOV. 25. BOLDEN ASKED THAT AID MODIFY ITS COMPULSORY GUIDELINES TO CARIBBEAN DEVELOPMENT BANK (CDB) REGARDING TERMS UNDER WHICH AID FUNDS ARE ON-LENT TO SMALL FARMERS THROUGH BARBADOS DEVELOPMENT BANK (BDB). END SUMMARY.

2. BOLDEN CONTENDED THAT AID REQUIRES BDB IN EFFECT TO ADD 8 POINT SPREAD TO CDB'S INTEREST RATE OF 4 PERCENT, MAKING FINAL INTEREST RATE TO SMALL FARMERS 12 PERCENT FOR SHORT-TERM SUPERVISED CROP PRODUCTION LOANS. THIS CONTRASTS WITH INTEREST RATE OF 4 1/2 PERCENT TO LARGE PLANTATION OWNERS EXTENDED BY SUGAR INDUSTRY AGRICULTURAL BANK, WHICH IN TURN GETS ITS MONEY AT SUBSIDIZED RATE OF 3 PERCENT FROM CENTRAL BANK.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRIDGE 02960 030014Z

3. AS DEPARTMENT AWARE, AID HAS MADE U.S. \$10 MILLION LOAN AVAILABLE TO CDB (LOAN NO. 538-T-006), OF WHICH U.S. \$4 MILLION ALLOCATED FOR AGRICULTURE PRODUCTION CREDIT. TERMS OF THIS AID LOAN ARE MATURITY OF 40 YEARS, INCLUDING 10 YEAR GRACE PERIOD, AND INTEREST RATE OF 2 PERCENT DURING GRACE PERIOD AND 3 PERCENT THEREAFTER.

4. BOLDEN INSISTS THAT AID SHOULD LET BARBADOS GOVERNMENT WORRY ABOUT REPAYMENT OF LOANS TO SMALL FARMERS; THAT IS, PROVIDE THE GUARANTEE. AGRICULTURAL CREDIT BANK ACT, HE ARGUES, REQUIRES AUTOMATIC LIEN AGAINST PROPERTY OF SMALL FARMER, AND FARMER MUST ACCEPT USUAL CROP LIEN AS WELL. SMALL FARMER ALSO REQUIRED TAKE OUT INSURANCE AGAINST DEFAULT. BOLDEN BELIEVES EXTRA SUPERVISION AND GUARANTEE OF SMALL FARMER OPERATIONS COULD BE PROVIDED BY GOB, FACILITATED BY RECENT AMALGAMATION OF BARBADOS DEVELOPMENT BANK, AGRICULTURAL CREDIT BANK, AND SUGAR INDUSTRY AGRICULTURAL BANK INTO NEW NATIONAL BANK.

5. BOLDEN PAINTED POLITICAL PROBLEM OF 12 PERCENT INTEREST RATE IN DRAMATIC TERMS. HE SAID HE CANNOT TELL 24,000 SMALL FARMERS IN BARBADOS THAT THEY MUST PAY 12 PERCENT, WHILE LARGE FARMERS CAN BORROW AT 4 1/2 PERCENT, WITHOUT BECOMING TARGET OF STONES.

6. ON SAME ISSUE, AMBASSADOR AND DCM CALLED DEC. 1 ON WILLIAM DEMAS, PRESIDENT, CARIBBEAN DEVELOPMENT BANK(CDB), DEMAS DISAGREED WITH POSITION TAKEN BY BOLDEN THAT INTEREST BEING CHARGED SMALL FARMERS IS EXCESSIVE. HE POINTED OUT THAT CREDIT TO SMALL FARMER IS UNSECURED, BDB MUST PROVIDE EXTRA SUPERVISORY PERSONNEL ON EXTENSION SERVICE, MARKET FOR SMALL FARMERS' LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRIDGE 02960 030014Z

CROPS IS UNDEPENDABLE, AND IN ANY CASE INSUREANCE MUST NECESSARILY ADD TO INTEREST SPREAD. MOREOVER, ID MONEY IS LENT TO SMALL FARMERS AT LESS THAN 14 TO 15 PERCENT COMMERCIAL RATE, DEMAS SAID.

7. DEMAS ADMITTED THAT LARGE PLANTATION OWNERS CAN BORROW FROM SUGAR INDUSTRY AGRICULTURAL BANK AT 4 1/2 PERCENT. THIS ABILITY ACCOUNTED FOR, HE SAID, NOT ONLY BY LEGISLATION WHICH HAS KEPT INTEREST RATES FOR VITAL SUGAR INDUSTRY DELIBERATELY LOW FOR YEARS, BUT BY SECURITY WHICH BIG PLANTERS CAN OFFER, AND RELATIVELY ASSURED MARKET FOR THEIR PRODUCE.

8. DEMAS CONCLUDED THAT THERE IS NO EASY WAY HE KNOWS OF WHICH WOULD PERMIT SMALL FARMERS TO BORROW AT 6 PERCENT AND YET ALLOW CDB TO REPAY ITS LOAN TO AID. POSSIBILITY OF DOING THAT MIGHT ARISE SHOULD BARBADOS GOVT BE WILLING ABSORB COST OF INSURANCE AND EXTRA EXTENSION AGENTS. THIS WOULD CONSITUTE BARBADIAN VARIATION OF AID LOAN, WHICH MIGHT NOT BE ACCEPTABLE TO SMALLER ISLANDS. ANTIGUA, DOMINICA, ST. KITTS, AND ST. LUCIA ARE ALREADY DRAWING DOWN CDB FACILITY UNDER PRESENT ERMS, THOUGH

DOMINICA DEMURRED FOR A WHILE, AND ST. VINCENT AND  
MONTserrat STILL HOLDING OUT. GRENADA ANXIOUS DRAW ON  
FUNDS, DEMAS SAID.

9. ACTION REQUIRED: AMBASSADOR TODMAN REQUESTED THAT  
DEPARTMENT AND AID/WASHINGTON URGENTLY REVIEW TERMS OF  
AID LOAN NO. 538-T-006 TO DETERMINE WHETHER TERMS CAN  
BE MODIFIED TO PERMIT SOFTER ON-LENDING TO SMALL FAR-  
MERS. PLEASE INFORM EMBASSY OF RESULTS OF REVIEW SOONEST  
AND AT THAT TIME PROVIDE INSTRUCTIONS CONCERNING REPLY  
WHICH AMBASSADOR TODMAN WISHES CONVEYED TO BOLDEN.

10. SEPTel FOLLOWS WITH RDO/C COMMENTS.

ORTIZ

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BRIDGE 02960 030014Z

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INTEREST RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 02-Dec-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977BRIDGE02960  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770448-0629  
**Format:** TEL  
**From:** BRIDGETOWN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t197712102/aaaadiel.tel  
**Line Count:** 136  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** e7ddcefb-c188-dd11-92da-001cc4696bcc  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 26-Nov-2004 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 107182  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INTEREST RATES TO SMALL FARMERS  
**TAGS:** EAID, ECON, XL  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/e7ddcefb-c188-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009